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NADA DATA FOR 1986

ECONOMIC IMPACT OF AMERICA'S NEW CAR AND TRUCK DEALERS

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Introduction

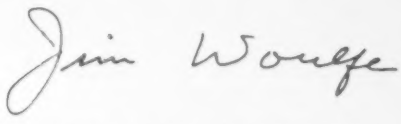
As was predicted by the NADA Optimism Index, 1985 was a year of continued prosperity for America's franchised new car and truck dealers. At the beginning of last year, the Index, which measures dealers' profit expectations, was at its highest level ever. The high level of optimism proved well-founded for as the year progressed dealership new unit, and dollar, sales reached record levels. This, the 1986 edition of NADA Data, documents not only the recovery in the motor vehicle retailing industry but also shows that it was not a mere coincidence that the national economy, as a whole, also experienced the longest and strongest expansion ever.

After advancing at a 17% rate in both 1983 and 1984, new unit sales rose another 8.5% in 1985. Total new vehicle sales in 1985 were a record 15.7 million units, which represented a near fifty increase over the depressed level of 1982. The recovery in new unit sales led to a record $260 billion in total dollar sales for America's franchised new car and truck dealerships. This provided a significant boost to the national economy because, in 1985, franchised dealers accounted for 18.9% of total retail sales in the nation.

Franchised dealers are a major employer within their communities and, therefore, it has been a welcomed sign that the recovery in sales has also led to a rebuilding of dealership payrolls. Last year, total dealership employment increased six percent to 835,000 people. The average dealer in 1985 employed 34 persons and had an annual payroll of $720,000. The annual payroll of all dealerships totalled $17.9 billion and represented 11.1% of the total retail trade payroll in the nation.

The total economic impact of America's franchised dealers goes far beyond the sales and service of vehicles and the employment of numerous people. In order to successfully operate their businesses, dealers must spend vast sums of money within their local communities. In 1985, dealers had total expenditures (excluding cost of goods sold) of $31.5 billion. Some typical expenditures include: advertising ($2.9 billion), rent and equivalent ($2.3 billion), floor plan interest ($1.3 billion), and heat, light, and power ($0.8 billion).

Given the tremendous impact that dealers have the economy, it is not surprising that most measures of the national economy also showed marked improvement in 1985. Real GNP continued to advance while inflation, interest rates, and unemployment all retreated. The current level of dealer optimism, as reported on page 3 of this booklet, indicates that although new vehicle sales are expected to decline slightly in 1986, America's franchised dealers will continue to provide a major stimulus to the economy.



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Average Dealer Profile

Total Dealership Sales

Total dollar sales for the average dealership increased sharply in 1985 to new record. The new vehicle department's share of total dealership sales continued to advance in 1985 due to the rise in unit sales of new cars and trucks. Although both the used vehicle and the service and parts department accounted for a smaller share of total dealership sales in 1985, both had dollar sales increases in excess of three percent.

In addition to having increases in dollar sales, all dealership departments also had increases in the actual unit volume of work performed. The average dealership had a 6% increase in new unit sales. Used unti sales increased 1.5% and the total number of repair orders performed by the average dealership increased by two percent.

Total Gross and Expense

In 1985, gross as a percent of sales increased for the first time since 1980. Nevertheless, the overall trend has been for dealerships to become increasingly large businesses that operate on increasingly thin margins.

Some representive major expenses for the average dealership in 1985 are as follows:

Total Payroll	$720,000
Advertising	117,300
Rent and equivalent	91,300
Floor plan interest	50,700

Total Dealership Profits

The sharp recovery in new unit sales from the downturn of 1980-1982 has allowed dealership profitability to return to more normal levels. Net profit before tax as a percent of total sales has remained in the two percent range for the past three years.

Dealership profitability as measured by return on investment has shown tremendous gains, especially if one considers the cost of money. Deducting the average yield on one-year Treasury bills from the dealer's net profit before tax as a percent of net worth, shows that in 1980 the average dealer had a negative return. In 1985, this measure of profitability reached its highest level ever.

AVERAGE DEALERSHIP PROFILE

	1979	1980	1981	1982	1983	1984	1985	% Change 1984-85
Total Dealership Sales	$5,005,359	$4,760,000	$5,529,484	$6,139,848	$7,710,594	$9,334,735	$10,476,167	12.23%
Total Dealership Gross	$725,277	$731,612	$817,811	$852,211	$1,058,665	$1,259,256	$1,497,044	18.88%
As % of Total Sales	14.49%	15.37%	14.79%	13.88%	13.73%	13.49%	14.29	
Total Dealership Expense	$662,209	$702,576	$753,669	$772,393	$893,658	$1,055,758	$1,266,569	19.97%
As % of Total Sales	13.23%	14.76%	13.63%	12.58%	11.59%	11.31%	12.09%	
Net Profit Before Taxes	$63,068	$29,036	$64,142	$79,818	$165,007	$203,497	$230,476	13.26%
As % of Total Sales	1.26%	0.61%	1.16%	1.30%	2.14%	2.18%	2.20	
(Net Pre-tax Profit in Constant '67 Dollars)	$29,005	$11,765	$23,550	$27,607	$55,293	$65,412	$71,532	9.36%
New Vehicle Dept. Sales	$3,178,403	$2,932,160	$3,378,515	$3,769,867	$4,888,517	$6,104,917	$7,071,413	15.83%
As % of Total Sales	63.50%	61.60%	61.10%	61.40%	63.40%	65.40%	67.50%	
Used Vehicle Dept. Sales	$1,016,088	$999,600	$1,266,252	$1,399,885	$1,734,884	$1,988,298	$2,053,329	3.27%
As % of Total Sales	20.30%	21.00%	22.90%	22.80%	22.50%	21.30%	19.60%	
Service and Parts Sales	$810,868	$828,240	$884,717	$970,096	$1,087,194	$1,241,520	$1,351,426	8.85%
As % of Total Sales	16.20%	17.40%	16.00%	15.80%	14.10%	13.30%	12.90%	
New Vehicles Average Selling Price	$6,950	$7,530	$8,850	$9,910	$10,725	$11,100	$11,925	7.43%
Average Net Worth (As of 12/31)	$397,566	$378,981	$385,330	$421,693	$556,722	$569,886	$652,721	14.54%
Net Profit as % of Net Worth	15.86%	7.66%	16.65%	18.93%	29.64%	35.71%	35.31%	

Source: NADA Industry Analysis Division

NADA Optimism Index

For the past nine and a half years, NADA's Industry Analysis Division has conducted a quarterly survey of profit expectations of new car and truck dealers for the succeeding twelve months. The survey results have closely matched dealers' actual profit experience and also serve as a barometer of national economic trends.

At the beginning of 1986, the NADA Optimism Index stood at a level of 133—considerably less than its previous peak of 180, which was reached in January of 1984, but still high by historical standards. This high level of optimism is very encouraging news because, as can be seen in the chart below, dealers have been quite prescient with respect to turning points in the national economy and new car sales.

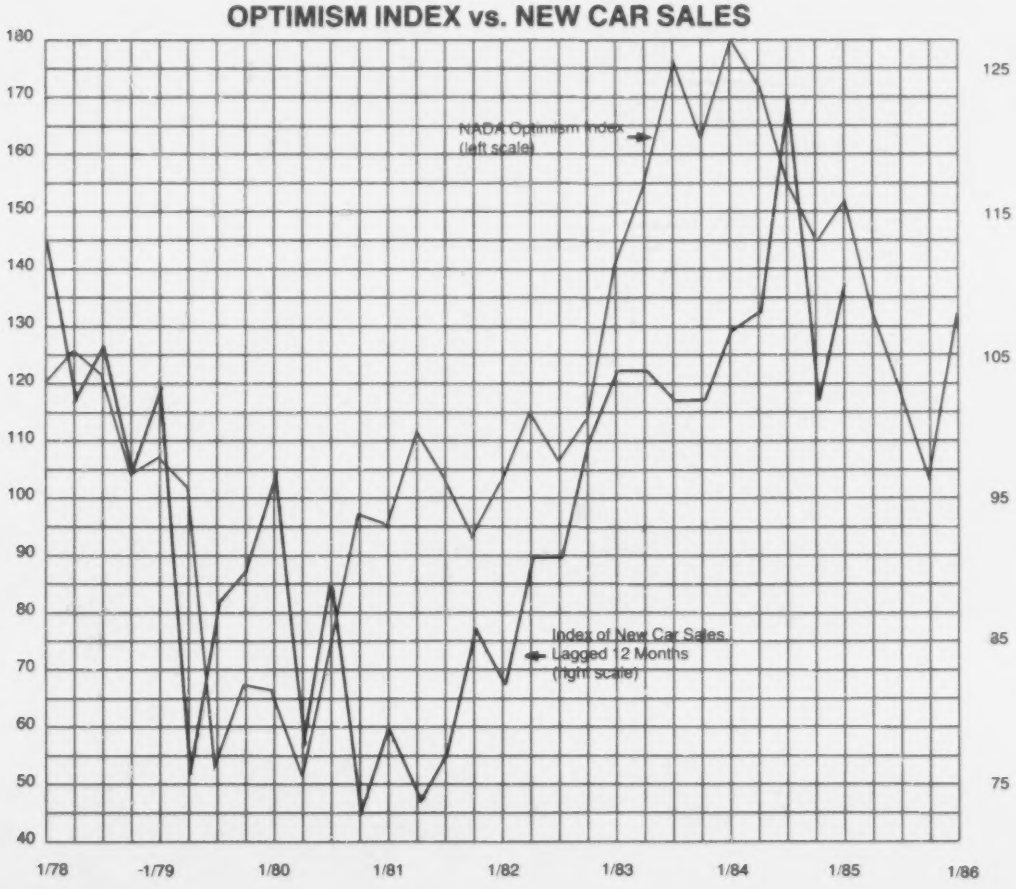
Throughout 1981 and 1982 when many industry analysts were constantly predicting an imminent turnaround in new vehicle sales, dealers showed no significant increase in optimism. In retrospect it can be noted that the low level of dealer optimism was well-founded. The NADA Optimism Index began its most recent rise in early 1983 and subsequently new car sales began to improve. The current high level of dealer optimism indicates that dealers believe the motor vehicle industry will remain strong throughout 1986.

EXPECTATIONS FOR DEALERSHIP PROFITS

Percent of Dealers Expecting Profits to:

	INCREASE	NO CHANGE	DECLINE	INDEX VALUE
4/76	57.7	35.4	6.9	163
4/77	46.9	43.8	9.3	146
4/78	35.4	51.2	13.4	126
4/79	29.0	50.5	20.4	112
4/80	9.2	25.4	65.3	51
4/81	30.0	51.5	18.6	111
4/82	33.4	47.5	19.2	115
7/82	27.1	51.7	21.2	106
10/82	32.2	49.1	18.8	113
1/83	46.8	44.9	8.4	141
4/83	54.4	38.1	7.5	155
7/83	65.5	30.5	4.0	176
10/83	55.0	40.4	4.6	163
1/84	65.8	30.9	3.4	180
4/84	60.0	36.1	3.9	171
7/84	51.8	42.0	6.3	155
10/84	44.7	48.3	7.0	145
1/85	49.6	40.8	9.6	151
4/85	41.6	44.6	13.8	133
7/85	34.2	49.0	16.8	119
10/85	15.9	66.2	17.9	97
1/86	39.6	48.3	12.1	133

OPTIMISM INDEX vs. NEW CAR SALES



Number of Franchised New Car Dealerships

For the first time in over two decades there was significant increase in the franchised new car dealership count. All of the increase was accounted for by dealerships handling imported makes. On January 1, 1986, there were an estimated 25,100 franchised new car dealerships in operation—an increase of 375 dealerships during the year.

Franchised dealerships in 1986 grew not only in number, but also in size. Presented below are our current estimates as to the distribution of dealerships amongst our four volume categories.

Annual New Unit Sales Volume	Number of Dealerships
0-149	7,600
150-399	8,350
400-749	4,445
750 or more	4,705

The following explicatory notes are needed to interpret the breakdown of dealerships by category as presented in the table to the right.

- The large increases in the category entitled "handling both domestic and import makes" that occurred during 1984 and 1985 were the result of the introduction of several captive imports. Of the 13,525 dealers in this category in 1985, over 9,800 represent domestic dealers that also sell their manufacturer's captive import line. The remaining 3,700 dealers represent dealers dualled with a non-captive import.
- Starting in 1983, AMC-Renault dealerships have been classified as "handling domestic makes only." (Renault owns controlling interest in AMC, but Renault's largest sellers are built in the U.S.)
- Starting in 1982, Volkswagen dealers have been classified as domestic dealers.
- There is a growing trend for one dealer principal to operate, or have a financial interest in, more than one dealership. In such instances, each dealership has been counted once and placed in the category appropriate for the make(s) it handles. (Recent NADA surveys indicate that over 15% of all dealers have a financial interest in more than one dealership.)
- Of the total 25,100 new "car" dealerships, approximately two-thirds sell or have the right to sell their manufacturer's light-duty truck models.

Estimated Number of Franchised New Car Dealerships

(As of the Beginning of the Year)

Year	Total	Handling Domestic Makes Only	Handling Both Domestic and Import Makes	Handling Imported Makes Only
1976	29,300	18,900	5,600	4,800
1977	29,100	17,700	6,900	4,500
1978	29,000	11,800	12,700	4,500
1979	28,850	11,650	12,700	4,500
1980	28,250	11,600	12,100	4,550
1981	26,600	10,000	12,050	4,550
1982	25,700	14,450	7,250	4,000
1983	24,725	14,675	6,100	3,950
1984	24,725	14,625	6,225	3,875
1985	24,725	12,300	8,600	3,825
1986	25,100	7,150	13,525	4,425

Source: NADA Industry Analysis Division

Estimated Number of Franchised New Car Dealerships

By State as of January 1, 1986

Alabama	360	Montana	200
Alaska	37	Nebraska	300
Arizona	210	Nevada	75
Arkansas	360	New Hampshire	180
California	1,800	New Jersey	760
Colorado	290	New Mexico	150
Connecticut	380	New York	1,430
Delaware	72	North Carolina	715
D.C.	10	North Dakota	180
Florida	830	Ohio	1,170
Georgia	615	Oklahoma	450
Hawaii	50	Oregon	320
Idaho	160	Pennsylvania	1,600
Illinois	1,280	Rhode Island	93
Indiana	695	South Carolina	315
Iowa	615	South Dakota	175
Kansas	415	Tennessee	460
Kentucky	375	Texas	1,545
Louisiana	400	Utah	150
Maine	205	Vermont	113
Maryland	375	Virginia	615
Massachusetts	590	Washington	385
Michigan	900	West Virginia	270
Minnesota	600	Wisconsin	780
Mississippi	320	Wyoming	100
Missouri	625	**TOTAL U.S.**	**25,100**

Source: NADA Industry Analysis Division

Total Dealership Sales Dollars

The total dollar sales of all franchised new car dealerships reached a record $260.2 billion in 1985, up 12.7% from 1984. Although the dollar sales increase was led by the recovery in new vehicle sales, the average dealer also had significiant gains in both used vehicle and service and parts sales.

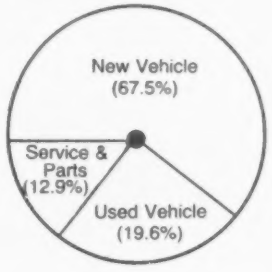
The chart below shows that the typical franchised dealership is increasingly becoming a large business. In twenty-two states and the District of Columbia the average franchised dealership had sales in excess of $10 million. In only five states were average sales in 1985 below $5 million.

Total Sales of Franchised New Car Dealers

Year	All Dealers (Billions of Dollars)	Average Per Dealer (Thousands of Dollars)
1975	$ 84.2	$ 2,860
1976	105.2	3,602
1977	121.9	4,196
1978	136.5	4,718
1979	142.9	5,005
1980	130.5	4,760
1981	144.6	5,529
1982	154.8	6,140
1983	189.8	7,711
1984	230.9	9,335
1985	260.2	10,476

Source: U.S. Department of Commerce and NADA Industry Analysis Division

SHARE OF TOTAL DEALERSHIP SALES DOLLARS
(By Department)
1985



1985 Total Sales By State

State	All Dealers ($ Millions)	Average Per Dealer ($ Thousands)	State	All Dealers ($ Millions)	Average Per Dealer ($ Thousands)
Alabama	3,968	11,022	Montana	818	4,090
Alaska	443	11,974	Nebraska	1,461	4,870
Arizona	4,015	19,120	Nevada	1,226	16,353
Arkansas	2,077	5,770	New Hampshire	1,338	7,431
California	29,469	16,372	New Jersey	8,759	11,525
Colorado	3,914	13,496	New Mexico	1,433	9,556
Connecticut	4,284	11,273	New York	13,636	9,536
Delaware	795	11,042	North Carolina	6,327	8,848
D.C.	123	12,283	North Dakota	888	4,934
Florida	16,217	19,538	Ohio	12,397	10,595
Georgia	7,786	12,660	Oklahoma	4,756	10,568
Hawaii	725	14,502	Oregon	2,777	8,678
Idaho	885	5,531	Pennsylvania	11,699	7,312
Illinois	12,529	9,788	Rhode Island	919	9,879
Indiana	5,918	8,516	South Carolina	3,070	9,746
Iowa	2,674	4,348	South Dakota	699	3,996
Kansas	2,656	6,400	Tennessee	5,366	11,665
Kentucky	3,068	8,182	Texas	19,700	12,752
Louisiana	3,961	9,903	Utah	1,545	10,297
Maine	1,308	6,379	Vermont	609	5,387
Maryland	5,528	14,740	Virginia	6,808	11,070
Massachusetts	7,065	11,975	Washington	3,947	10,251
Michigan	11,255	12,505	West Virginia	1,732	6,415
Minnesota	4,519	7,531	Wisconsin	4,800	6,153
Mississippi	2,169	6,777	Wyoming	512	5,123
Missouri	5,655	9,048	**TOTAL U.S.**	**260,228**	**10,476**

Source: NADA Industry Analysis Division

Relationship of Franchised New Car Dealer to Total Retail Trade

	Number of Dealers as % of Total Retail Establishments in the State	Dealer Sales as % of Total Retail Sales in the State	Dealer Payroll as % of Total Retail Payroll in the State	Dealer Employees as % of Total Retail Employment in the State
Alabama	2.0%	22.8%	14.3%	5.5%
Alaska	1.5%	10.3%	6.8%	4.2%
Arizona	1.6%	22.9%	12.4%	5.3%
Arkansas	2.4%	19.3%	11.4%	5.1%
California	1.4%	17.4%	12.3%	4.6%
Colorado	1.8%	18.7%	11.1%	4.9%
Connecticut	2.3%	21.1%	12.1%	5.2%
Delaware	1.7%	19.9%	9.9%	5.0%
D.C.	0.3%	2.6%	3.3%	0.8%
Florida	1.4%	22.8%	11.9%	5.4%
Georgia	2.3%	24.9%	11.7%	5.8%
Hawaii	1.0%	11.1%	7.8%	2.9%
Idaho	2.6%	19.1%	14.1%	5.9%
Illinois	2.5%	19.9%	9.8%	4.0%
Indiana	2.4%	19.3%	11.9%	4.4%
Iowa	2.9%	17.8%	13.2%	5.1%
Kansas	2.7%	19.4%	12.9%	5.3%
Kentucky	2.2%	17.2%	12.2%	4.8%
Louisiana	1.8%	18.6%	12.8%	5.1%
Maine	3.0%	19.5%	12.7%	5.8%
Maryland	1.8%	20.1%	11.2%	5.3%
Massachusetts	2.0%	16.8%	9.5%	4.3%
Michigan	2.1%	21.7%	10.5%	4.7%
Minnesota	2.5%	16.7%	9.9%	4.2%
Mississippi	2.7%	19.0%	14.3%	5.7%
Missouri	2.4%	18.4%	11.1%	4.7%
Montana	3.2%	18.0%	13.8%	5.8%
Nebraska	3.0%	17.0%	12.0%	4.9%
Nevada	1.6%	17.9%	10.6%	4.8%
New Hampshire	2.8%	19.0%	11.8%	5.7%
New Jersey	1.9%	18.1%	9.7%	4.4%
New Mexico	2.1%	18.5%	12.1%	5.3%
New York	1.7%	14.3%	7.8%	3.6%
North Carolina	2.3%	18.4%	10.8%	5.6%
North Dakota	3.7%	21.5%	14.5%	6.8%
Ohio	2.3%	20.4%	10.3%	4.5%
Oklahoma	2.8%	24.8%	11.7%	5.3%
Oregon	2.2%	18.9%	13.5%	5.1%
Pennsylvania	2.4%	18.3%	10.9%	5.0%
Rhode Island	1.8%	17.4%	8.7%	3.8%
South Carolina	2.1%	19.3%	10.9%	4.9%
South Dakota	3.4%	19.0%	13.7%	5.9%
Tennessee	2.1%	20.2%	12.1%	5.3%
Texas	1.8%	19.8%	11.6%	5.0%
Utah	2.4%	20.2%	13.1%	4.9%
Vermont	3.1%	18.0%	12.1%	5.9%
Virginia	2.4%	20.3%	13.1%	6.2%
Washington	2.1%	16.2%	11.7%	4.4%
West Virginia	3.1%	19.5%	15.3%	6.5%
Wisconsin	2.8%	19.3%	10.5%	4.5%
Wyoming	2.9%	14.5%	11.2%	5.7%
Total U.S.	**2.0%**	**18.9%**	**11.1%**	**4.8%**

Source: NADA Industry Analysis Division

The New Vehicle Department

After advancing at a 17% rate in both 1983 and 1984, new unit sales rose another 8.5% in 1985. The three-year increase in new unit sales is both a cause and a result of the nation's strong economic recovery. It is generally expected that new car sales will decline slightly in 1986.

Domestic new car sales increased 3.2% in 1985, while import sales, which were less constrained by export quotas in 1985 than in 1984, surged ahead by 16.2%. As a result, the market share of imports rose to 25.7%. Japanese imports captured 20.2% of the new car market in 1985.

The table below shows that all of the major importers had significant increases in market share in 1985. All of the domestic manufacturers, except Chrysler, showed losses in market share.

New Passenger Car Sales
Annual Totals

Year	Total Cars	Domestic Cars	Imported Cars	Imported Cars as a % of Total Sales
1976	10,105,750	8,606,573	1,499,177	14.8%
1977	11,178,844	9,104,454	2,074,390	18.6%
1978	11,310,411	9,307,998	2,002,413	17.7%
1979	10,660,351	8,328,055	2,332,296	21.9%
1980	8,978,584	6,578,252	2,400,332	26.7%
1981	8,533,135	6,205,856	2,327,279	27.3%
1982	7,979,745	5,756,658	2,223,087	27.9%
1983	9,182,071	6,795,299	2,386,772	26.0%
1984	10,390,359	7,951,517	2,438,842	23.5%
1985	11,038,423	8,204,704	2,833,719	25.7%
Average '76-'85	9,935,767	7,683,936	2,251,831	22.7%

Source: Ward's Automotive Reports

Market Penetration
Share of Total U.S. New Car Sales

Year	AMC	Chrysler	Ford	General Motors	Volkswagen	Nissan	Honda	Toyota	Other Imports	Total
1976	247,640 2.45%	1,301,940 12.88%	2,256,277 22.33%	4,800,716 47.50%	201,760 2.00%	270,103 2.67%	150,929 1.49%	346,900 3.43%	529,485 5.24%	10,105,750
1977	184,361 1.65%	1,219,752 10.91%	2,552,210 22.83%	5,148,131 46.05%	262,932 2.35%	388,383 3.47%	223,633 2.00%	493,048 4.41%	706,394 6.32%	11,178,844
1978	170,739 1.51%	1,146,258 10.13%	2,582,702 22.83%	5,385,282 47.61%	242,241 2.14%	339,364 3.00%	274,876 2.43%	441,800 3.91%	727,149 6.43%	11,310,411
1979	162,057 1.52%	942,205 8.84%	2,140,368 20.08%	4,917,911 46.13%	295,293 2.77%	472,252 4.43%	353,291 3.31%	507,816 4.76%	869,158 8.15%	10,660,351
1980	149,438 1.66%	660,017 7.35%	1,475,231 16.43%	4,116,482 45.85%	269,466 3.00%	516,890 5.76%	375,388 4.18%	582,195 6.48%	833,477 9.28%	8,978,584
1981	136,682 1.60%	729,873 8.55%	1,380,600 16.18%	3,796,696 44.49%	244,910 2.87%	464,806 5.45%	370,705 4.34%	576,491 6.76%	832,372 9.75%	8,533,135
1982	112,433 1.41%	691,703 8.67%	1,345,698 16.86%	3,515,660 44.06%	159,529 2.00%	470,246 5.89%	365,865 4.58%	530,246 6.64%	788,365 9.88%	7,979,745
1983	193,351 2.11%	841,622 9.17%	1,571,321 17.11%	4,053,561 44.15%	162,065 1.77%	521,902 5.68%	401,072 4.37%	555,766 6.05%	881,386 9.60%	9,182,071
1984	190,255 1.83%	986,998 9.50%	1,979,317 19.05%	4,587,508 44.15%	177,317 1.71%	485,298 4.67%	508,420 4.89%	557,981 5.37%	917,267 8.82%	10,390,350
1985	123,449 1.12%	1,139,936 10.33%	2,070,392 18.76%	4,607,458 41.74%	218,394 1.98%	575,166 5.21%	552,389 5.00%	620,047 5.62%	1,131,192 10.25%	11,038,423
Average 1976-1985	167,041 1.68%	966,031 9.72%	1,935,412 19.48%	4,492,940 45.22%	223,391 2.25%	450,441 4.53%	357,657 3.60%	521,229 5.25%	821,624 8.27%	9,935,767

Note: The captive import sales of GM, Ford and Chrysler and included under "Other Imports."

As shown in the chart to the right, new cars exhibited tremendous volatility in the level of sales by month in 1985. Sales, on a seasonnaly adjusted annual basis, peaked in August and September because of the massive finance incentive programs offered by manufacturers. Not unrelatedly, new car sales hit their lowest levels in October and November due to the inevitable "payback" that follows such temporary incentives.

The strong rise in new car sales over the past three years, coupled with dealership attrition, has resulted in a large increase in the number of new cars sold per dealer. In 1985, the average dealer sold 444 new cars—the highest level of sales ever.

Increased demand for larger and more "upscaled" cars led to a significant rise in the average selling price per vehicle in 1985. The selling price figures presented below represent actual transactions during the calendar year and in no way attempt to control for quality or model mix changes. The selling price figures include all accessories and other items, such as service contracts, that are included with the purchase of the vehicles.

The chart at the bottom right shows that domestic new car inventories increased slightly in terms of both actual units and days' supply in 1985. Import new car inventories rose 26% in terms of actual units, but the days' supply stayed relatively low and significantly below the levels that existed in the pre-quota years.

New Car Sales by Month
Seasonally Adjusted Annual Rate

	1985 Actual	1985 SAAR* (in millions)	1984 Actual	1984 SAAR* (in millions	% Change 1984-1985
January	835,100	10.9	778,700	10.8	7.2%
February	839,000	11.0	841,300	10.6	– 0.3%
March	970,200	10.7	963,900	10.1	0.7%
April	987,900	11.1	895,500	10.3	10.3%
May	1,075,100	11.3	1,046,900	10.8	2.7%
June	925,200	10.3	952,400	10.5	– 2.9%
July	898,900	10.3	889,800	10.5	1.0%
August	1,000,700	12.6	814,800	10.2	22.8%
September	1,067,200	14.4	743,500	10.2	43.5%
October	863,700	9.6	902,100	10.1	– 4.3%
November	763,100	9.9	802,300	10.0	– 4.9%
December	812,300	11.5	759,200	10.9	7.0%
Full Year	11,038,400	11.0	10,390,400	10.4	6.2%

*Seasonally Adjusted Annual Rate

Average Number of New Cars Sold per Dealer and Average Selling Price per Vehicle

Year	New Cars Sold	Average Vehicle Selling Price
1975	295	$ 4,750
1976	346	5,470
1977	385	6,120
1978	391	6,470
1979	373	6,950
1980	327	7,530
1981	326	8,850
1982	316	9,910
1983	373	10,725
1984	420	11,100
1985	444	11,925

Source: NADA Industry Analysis Division

New Car Inventories & Days' Supply
(Yearly Average)

	Domestic		Import	
	Inventory	Days' Supply	Inventory	Days' Supply
1975	1,514,000	67	406,700	80
1976	1,465,000	55	536,000	111
1977	1,682,000	58	430,700	64
1978	1,804,000	61	606,900	93
1979	1,891,000	70	502,200	63
1980	1,506,000	71	458,100	55
1981	1,457,000	74	427,300	52
1982	1,294,000	71	380,800	54
1983	1,209,000	55	259,800	34
1984	1,413,000	55	215,500	26
1985	1,510,000	58	271,300	30

Source: Ward's Automotive Reports

The Used Vehicle Department

In 1985, the used vehicle department's share of total dealership sales fell below twenty percent for the first time in twelve years. The number of used units retailed by franchised new car and truck dealers rose by less than two percent and the increase in average selling price per unit was a modest 4%. The weakness in the used vehicle market occurred primarily in the later part of the year when the manufacturers' reduced-rate financing programs stole sales from the used car market while at the same time increasing the number of trade-ins.

Franchised dealers obtain used vehicles from six major sources. NADA surveys indicate that the source of used cars retailed by franchised dealers during 1985 were as follows:

trade-in on new vehicle	55%
trade-in on used vehicle	18%
street purchase	10%
broker's wholesale	7%
auction purchase	7%
company vehicle	3%

NADA surveys also provide the following distribution of used units retailed by model year for franchised dealers in 1985:

Model Year	Percent of Total Sales
1985	5.0%
1984	11.5%
1983	14.9%
1982	15.0%
1981	12.5%
1980	12.1%
1979 & prior	29.0%

Used Vehicle Sales by Franchised New Car Dealers
(In Thousands)

Year	Retail	Wholesale	Total
1976	10,035	2,478	12,513
1977	10,097	2,847	12,944
1978	9,903	3,127	13,030
1979	8,804	2,810	11,614
1980	7,818	2,469	10,287
1981	8,178	2,582	10,760
1982	7,959	2,500	10,459
1983	8,508	2,687	11,195
1984	9,442	3,031	12,473
1985	9,602	3,110	12,712
Average '76-'85	9,035	2,764	11,799

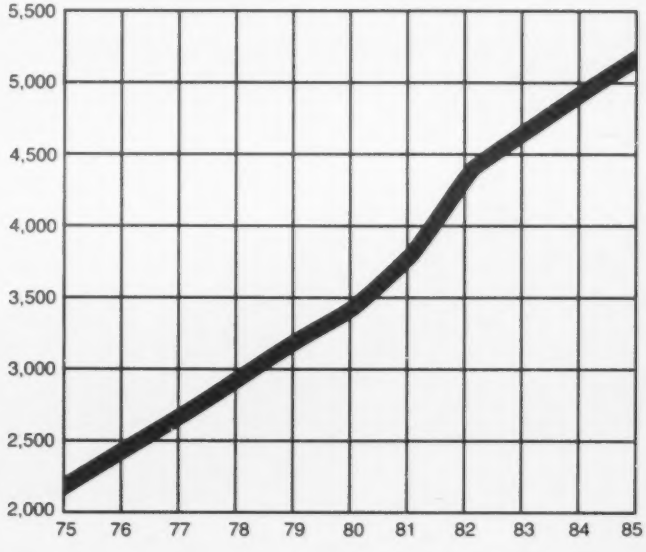
Source: NADA Industry Analysis Division

Average Selling Price of Used Cars Retailed by Franchised New Car Dealers

1975	$2,200
1976	2,400
1977	2,690
1978	2,930
1979	3,200
1980	3,380
1981	3,850
1982	4,300
1983	4,610
1984	4,950
1985	5,150

Source: NADA Industry Analysis Division

Average Selling Price Used Cars Retailed by Franchised New Car Dealerships



The Service and Parts Departments

In 1985, the total service and parts market reached a record $101 billion. The franchised dealer's share of the market (33%) increased slightly in 1985 due to the changing vehicle population which now includes a greater percentage of newer models and makes that traditionally have a greater tendency to be serviced by dealers.

For the average dealer, the largest increases in service and parts sales came in the area of warranty work. Again, this is because of the greater number of new vehicles on the road.

The service and parts department accounted for 12.9% of total dealership sales and approximately the same percentage of dealership profits in 1985. Historically, service business has not been profitable for the average dealer, but these losses have been more than offset by parts department profits.

Number of Auto Repair Facilities 1985

Franchised New Car Dealerships	25,100
Auto Repair Shops	201,000
TBA Dealers	17,200
Service Stations	61,000
Mass Merchandisers	1,600
All Other	1,400
Total	**307,300**

Includes independent and franchised repair shops.

Includes only those outlets that perform "significant" repair work. (i.e. those establishments that perform work beyond simple oil changes or lube jobs and/or those establishments that receive at least 2% of total dollar revenue from service labor.

Source: NADA Industry Analysis Division

Total Service and Parts Market (Billions of Dollars)

	1980	1981	1982	1983	1984	1985
Franchised New Car Dealerships	$22.7	$23.1	$24.5	$26.8	$30.7	$ 33.6
Auto Repair Shops*	17.1	18.0	20.4	22.7	25.4	27.9
Tire, Battery, and Accessory Dealers	15.7	17.5	18.4	20.3	21.3	22.0
Gasoline Service Stations	5.7	5.9	5.9	6.4	7.1	7.9
General Merchandise Stores	5.0	5.3	5.4	5.8	6.4	6.7
All Others**	1.7	2.0	2.3	2.5	2.7	3.0
Total	**67.9**	**71.8**	**76.9**	**84.5**	**93.6**	**101.1**

*Includes independent and franchised repair shops.

**Includes non-franchised dealers, farm equipment dealers and fleet shops.

Note: Revenue for each type of repair facility includes tire sales and parts not installed in repair work. Revenue totals do not include fuel and lubricant sales.

Source: NADA Industry Analysis Division and U.S. Bureau of Census

Franchised New Car Dealers Service and Parts Sales (Millions of Dollars)

Service Labor Sales	1984	1985	Percent Change
Customer Mechanical	4,818	5,434	12.8
Customer Body	2,192	2,431	10.9
Warranty	1,848	2,174	17.6
Sublet	1,096	1,187	8.3
Internal	1,797	2,002	11.4
Other	994	1,073	7.9
Total Service labor	**12,745**	**14,301**	**12.2**
Parts Sales			
Customer Mechanical	3,503	3,854	10.0
Customer Body	2,228	2,389	7.2
Wholesale	5,713	5,954	4.2
Counter	1,365	1,407	3.0
Warranty	2,318	2,640	13.9
Internal	1,869	2,023	8.3
Other	971	1,001	3.1
Total Parts	**17,967**	**19,268**	**7.2**
Total Service & Parts	**$30,712**	**$33,569**	**9.3**

Source: NADA Industry Analysis Division

Employment and Payrolls

Dealerships are often one of the major employers in their local communities, therefore, the increases in dealership payrolls have been a significant factor behind this nation's sustained economic growth. Over the past three years, total dealership employment has risen by 19%, which represents the creation of almost 133,000 new jobs.

The number and type of employees varies significantly among dealerships depending upon dealership characteristics such as size, location, primary make, and the distribution of sales among departments. It is estimated, however, that the total employment count of all dealerships in 1985 was distributed as follows:

New and used salespersons	185,000
Mechanics	211,000
Service and parts workers (other than mechanics)	212,000
Supervisors, general office workers, and others	227,000
Total	835,000

The average dealer in 1985 employed 34 persons and had an annual payroll of $720,000. The annual payroll of all dealerships totaled $17.9 billion and represented 11.1% of the total retail trade payroll in the nation.

Estimated Number of Employees of Franchised New Car Dealers

Year	Total Number For All Dealers	Average Number Per Dealer
1975	728,000	25
1976	765,300	26
1977	810,400	28
1978	861,800	30
1979	837,300	29
1980	753,700	27
1981	705,100	27
1982	702,300	28
1983	729,400	30
1984	790,000	32
1985	835,000	34

Source: NADA Industry Analysis Division

Estimated Number of Employees of Franchised New Car Dealers

1985 Averages by State

	Total Number All Dealers	Average Number Per Dealer
Alabama	12,808	36
Alaska	1,128	30
Arizona	13,071	62
Arkansas	6,386	18
California	92,191	51
Colorado	13,345	46
Connecticut	13,774	36
Delaware	2,627	36
D.C.	547	55
Florida	46,037	55
Georgia	23,641	38
Hawaii	2,871	57
Idaho	3,556	22
Illinois	35,821	28
Indiana	18,611	27
Iowa	10,312	17
Kansas	9,476	23
Kentucky	10,834	29
Louisiana	14,108	35
Maine	4,748	23
Maryland	18,923	50
Massachusetts	22,520	38
Michigan	32,909	37
Minnesota	14,948	25
Mississippi	7,823	24
Missouri	17,914	29
Montana	3,321	17
Nebraska	5,628	19
Nevada	3,801	51
New Hampshire	4,683	26
New Jersey	24,297	32
New Mexico	5,045	34
New York	41,178	29
North Carolina	21,964	31
North Dakota	3,365	19
Ohio	40,526	35
Oklahoma	13,558	30
Oregon	10,716	33
Pennsylvania	41,481	26
Rhode Island	2,962	32
South Carolina	10,844	34
South Dakota	2,899	17
Tennessee	17,134	37
Texas	56,968	37
Utah	5,065	34
Vermont	2,315	20
Virginia	25,456	41
Washington	14,065	37
West Virginia	7,059	26
Wisconsin	17,533	22
Wyoming	2,118	21
TOTAL U.S.	**835,000**	**34**

Source: NADA Industry Analysis Dept.

Annual Payroll of Franchised New Car Dealerships
1985 Year by State

	Total of all Dealerships ($ Millions)	Average Per Dealerships ($ Thousands)
Alabama	244	679
Alaska	34	929
Arizona	303	1,442
Arkansas	112	312
California	2,355	1,309
Colorado	303	1,046
Connecticut	306	806
Delaware	54	745
D.C.	13	1,272
Florida	1,042	1,256
Georgia	507	825
Hawaii	58	1,167
Idaho	65	406
Illinois	816	638
Indiana	358	515
Iowa	184	299
Kansas	182	438
Kentucky	196	522
Louisiana	282	706
Maine	87	426
Maryland	420	1,120
Massachusetts	475	804
Michigan	729	810
Minnesota	302	503
Mississippi	141	441
Missouri	371	593
Montana	61	303
Nebraska	100	333
Nevada	99	1,324
New Hampshire	93	516
New Jersey	567	746
New Mexico	99	657
New York	888	621
North Carolina	413	578
North Dakota	65	361
Ohio	829	708
Oklahoma	290	645
Oregon	213	664
Pennsylvania	795	497
Rhode Island	58	623
South Carolina	195	619
South Dakota	50	283
Tennessee	336	730
Texas	1,307	846
Utah	104	696
Vermont	43	378
Virginia	520	846
Washington	323	839
West Virginia	120	445
Wisconsin	342	439
Wyoming	40	404
TOTAL U.S.	**17,889**	**720**

Source: NADA Industry Analysis Division

Average Weekly Earnings of Franchised New Car Dealer Employees in 1985

Alabama	367	Montana	351
Alaska	586	Nebraska	341
Arizona	445	Nevada	502
Arkansas	338	New Hampshire	382
California	491	New Jersey	449
Colorado	437	New Mexico	376
Connecticut	428	New York	415
Delaware	393	North Caroliina	362
D.C.	447	North Dakota	371
Florida	435	Ohio	393
Georgia	413	Oklahoma	412
Hawaii	391	Oregon	381
Idaho	351	Pennsylvania	369
Illinois	438	Rhode Island	376
Indiana	370	South Carolina	346
Iowa	342	South Dakota	329
Kansas	369	Tennessee	377
Kentucky	348	Texas	441
Louisiana	385	Utah	396
Maine	354	Vermont	355
Maryland	427	Virginia	393
Massachusetts	405	Washington	442
Michigan	425	West Virginia	328
Minnesota	389	Wisconsin	376
Mississippi	347	Wyoming	366
Missouri	398	**TOTAL U.S.**	**412**

Source: NADA Industry Analysis Division

Annual Payroll of Franchised New Car Dealerships

Year	Total of all Dealerships (Billions of $)	Average Per Dealership (Thousands of $)
1976	9.55	327
1977	10.96	377
1978	12.14	420
1979	12.10	424
1980	11.88	433
1981	12.10	463
1982	12.42	492
1983	13.96	567
1984	16.02	648
1985	17.89	720

Source: NADA Industry Analysis Division

Average Weekly Earnings of Dealership Employees

1976	$240	1981	$330
1977	$260	1982	$340
1978	$271	1983	$368
1979	$278	1984	$390
1980	$303	1985	$412

Advertising and The Franchised Dealership

In 1985, franchised new car and truck dealers spent $2.9 billion on advertising—an increase of 33% from the 1984 level. Advertising expenditures as a percent of total sales reached 1.12%, its highest level ever. The table below shows that throughout the Eighties the advertising to sales ratio has been significantly higher than during the Seventies. In the early Eighties much of this increase was a result of the decline in total dollar sales growth. The more recent increases have been a result of the shift in the distribution of dealers across volume categories. (Large volume dealerships, which now represent a greater share of the total dealership population, have traditionally had higher advertising to sales ratios.) Compounding the effect of both these factors has been the strengthening in the positive relationship between advertising intensity and dealership size. Note, for example, that low volume dealerships have lower advertising to sales ratios now than they did in 1979.

Advertising as a Percent of Total Dollar Sales

	1985	1984	1983	1982	1981	1980	1979
Weighted Average of All Dealers	1.12	0.95	0.90	0.92	0.93	0.89	0.76
By Annual New Unit Sales Group							
I (0-149)	0.68	0.58	0.57	0.67	0.66	0.66	0.72
II (150-399)	0.91	0.74	0.67	0.77	0.80	0.74	0.70
III (400-749)	1.07	0.80	0.91	0.96	0.86	0.94	0.82
IV (750 or more)	1.26	1.09	1.07	1.08	1.08	1.01	0.92

Advertising Expenditures by Medium

Much of the increase in advertising intensity by large volume dealerships has occurred because of their shift towards a more expensive medium (i.e. television). The table below shows that virtually all of the growth in television advertising by dealers has been the result of the increased use of this medium by large volume dealerships.

Local Advertising by Franchised New Car Dealers

Estimated Totals Spent in 1985 by All Dealers

By Medic Used	
Newspaper	1,654 Million
Radio	635 Million
TV	407 Million
Direct Mail	99 Million
Outdoor (Billboards, Signs)	46 Million
Programs (Theatre, Sports, School, etc.)	21 Million
Handouts or Handbills	9 Million
Displays & Demonstrations	25 Million
Other	19 Million
Total	**$2,915 Million**
By Type of Advertising	
New Vehicle	1,545 Million
Used Vehicle	807 Million
Institutional	315 Million
Service	248 Million
Total	**$2,915 Million**

Estimated Advertising Expenses Per Dealer in 1985

Dealers Classified by the Number of New Units Sold in 1985

By Media Used	Average of All Dealers	1-149	150-399	400-749	750 or More
Newspapers	$ 66,563	$10,245	$34,324	$72,549	$203,717
Radio	25,543	5,149	16,448	25,643	64,255
TV	16,368	947	4,914	19,166	68,453
Direct Mail	3,966	446	2,148	4,255	12,778
Outdoor	1,842	216	908	1,591	6,827
Programs	845	80	545	1,023	2,556
Handouts & Handbills	375	57	151	152	986
Displays & Demos	1,044	104	660	1,263	3,030
Other	787	164	417	618	2,483
Total	**$117,333**	**$17,408**	**$60,515**	**$126,260**	**$365,085**
Total Advertising as a % of Total Sales	1.12%	0.68%	0.91%	1.07%	1.26%
Total Advertising per New Vehicle Sold	$189	$143	$178	$197	$214

Percent of Total Advertising Expenditures

	Newspaper			Radio			Television			All Other		
	1985	1984	1976	1985	1984	1976	1985	1984	1976	1985	1984	1976
Weighted Average of All Dealers	56.7	54.7	56.2	21.8	23.6	22.6	14.0	12.5	6.8	7.5	9.2	14.4
By Annual New Unit Sales Group												
I-(0-149)	58.9	54.8	56.7	29.6	28.9	21.8	5.4	5.4	4.0	6.1	10.9	17.5
II (150-399)	56.7	54.8	55.7	27.2	27.9	25.7	8.1	8.0	5.3	8.0	9.3	13.3
III (400-749)	57.5	55.3	55.8	20.3	22.8	22.0	15.2	13.2	10.0	7.0	8.7	12.2
IV (750 or more)	55.8	54.8	53.2	17.6	18.8	19.5	18.8	17.7	14.9	7.8	8.7	12.4

Consumer Credit

In 1985, manufacturers once again offered extensive reduced-rate financing programs in order to stimulate new car sales. As a result, the average automobile loan rate showed a sharper drop in 1985 at finance companies than it did at banks.

The effects of the reduced-rate financing programs are also reflected in the other charts on this page. The chart at the lower left shows that finance incentives indeed stimulated the financing of new vehicles and, as a result, auto paper outstanding as a percent of total installment credit reached record highs. The charts on the right show that the manufacturers' captive finance companies captured an increased share of the market for financing in 1985.

Average Maturity of New Car Loans At Finance Companies

1970	34.7 Months
1975	37.6 Months
1980	44.7 Months
1984	48.3 Months
1985	51.5 Months

Average Finance Rate on New Car Loans

	At Finance Companies	At Banks	Average Prime Rate
1975	13.1%	11.4%	7.9%
1976	13.2%	11.1%	6.8%
1977	13.1%	10.9%	6.8%
1978	13.1%	11.0%	9.1%
1979	13.5%	12.0%	12.7%
1980	14.8%	14.3%	15.3%
1981	15.9%	16.5%	18.9%
1982	16.2%	16.8%	14.9%
1983	12.6%	13.9%	10.8%
1984	14.6%	13.7%	12.0%
1985	11.9%	12.9%	9.9%

Note: Banks series represents an average of direct 36 month loans for the period 1975-1982. For 1983 through 1985, the bank series represents the average of direct 48 month loans. The finance company series represents the average of all loans made.

Source: Federal Reserve Board

Automobile Paper Outstanding by Type of Lender
(End of year—Seasonally adjusted—Millions of $)

	Commercial Banks		Credit Unions		Finance Companies	
	Total $ Amount	% of Total	Total $ Amount	% of Total	Total $ Amount	% of Total
1975	$ 33,385	58.6%	$12,635	22.2%	$10,969	19.2%
1976	39,746	59.5%	15,116	22.6%	11,959	17.9%
1977	49,727	61.4%	17,946	22.2%	13,275	16.4%
1978	60,657	61.4%	21,032	21.3%	17,050	17.3%
1979	67,464	60.0%	22,063	19.6%	22,948	20.4%
1980	61,557	54.8%	20,876	18.6%	29,822	26.6%
1981	58,336	48.6%	21,796	18.2%	39,888	33.2%
1982	58,723	46.8%	22,419	17.9%	44,227	35.3%
1983	70,430	48.3%	25,391	17.4%	50,087	34.3%
1984	89,845	51.3%	28,614	16.4%	54,663	31.6%
1985	102,514	49.6%	30,577	14.8%	73,391	35.5%

Source: Federal Reserve Board

Consumer Installment Credit Outstanding
(End of Year—Billions of Dollars)

Year	Total	Auto Paper	Auto Paper as Percent of Total
1975	167.0	57.0	34.1%
1976	187.8	66.8	35.6%
1977	221.5	80.9	36.0%
1978	262.0	98.7	37.7%
1979	296.5	112.5	37.9%
1980	297.7	112.3	37.7%
1981	314.3	120.0	38.2%
1982	327.2	125.4	38.3%
1983	376.2	145.9	38.9%
1984	453.6	173.1	38.2%
1985	535.1	206.5	38.6%

Source: Federal Reserve Board

Percent Change In Automobile Paper Outstanding By Type of Lender

	Commercial Banks	Credit Unions	Finance Companies
1975	1.9%	16.2%	3.3%
1976	19.1%	19.6%	9.0%
1977	25.1%	18.7%	11.0%
1978	22.0%	17.2%	28.4%
1979	11.2%	4.9%	34.6%
1980	−8.8%	−5.4%	30.0%
1981	−5.2%	4.4%	33.8%
1982	0.7%	2.9%	10.9%
1983	19.9%	13.3%	13.2%
1984	27.6%	12.7%	9.1%
1985	14.1%	6.9%	34.3%

Source: Federal Reserve Board

Vehicles in Operation and Scrappage

Over the past ten years, the total number of vehicles in operation has increased by 27%. Trucks and buses in operation have increased by 46%, while automobiles have increased by 22%. The stagnation in the economy from 1980 to 1982 and the long-term decline in the population growth rate, have resulted in a slowing in the rate of increase for vehicles in operation. The compound annual growth rate of automobiles in operation for various time periods is presented below.

1960-1965	3.7%
1965-1970	4.1%
1970-1975	4.0%
1975-1980	2.8%
1980-1985	1.1%
1985-1990 (estimated)	1.9%

Vehicles in Operation as of January 1

	Automobiles	Trucks & Buses	Total
1976	100,326,000	25,132,000	125,458,000
1977	101,338,000	26,506,000	127,844,000
1978	105,504,000	28,153,000	133,657,000
1979	109,800,000	30,322,000	140,122,000
1980	112,863,000	31,635,000	144,498,000
1981	114,921,000	32,761,000	147,682,000
1982	115,855,000	33,328,000	149,183,000
1983	117,702,000	34,091,000	151,793,000
1984	117,749,000	34,584,000	152,333,000
1985	119,475,000	35,198,000	154,673,000
1986	122,545,000	36,789,000	159,334,000

Source: NADA Industry Analysis Division

Estimated Auto Scrappage

	Number of Cars Scrapped During Year	Scrappage % of Cars in Operation at Beginning of Year	Scrappage as % of New Car Registrations
1976	8,851,087	8.8%	89.7%
1977	6,783,732	6.7%	62.0%
1978	6,775,261	6.4%	61.2%
1979	7,385,407	6.7%	70.7%
1980	6,802,569	6.0%	76.8%
1981	7,606,612	6.6%	89.1%
1982	5,996,172	5.2%	76.5%
1983	8,979,204	7.6%	99.5%
1984	8,391,508	7.1%	82.9%
1985	7,818,793	6.5%	71.8%
Average '76-'85	7,539,035	6.8%	78.0%

Source: NADA Industry Analysis Division

Cars and Population

Year	Estimated Population Residing in U.S. (At End of Year) (Millions)	Estimated Passenger Cars in Operation (At End of Year) (Millions)	Persons per car
1910	92.6	0.5	185.2
1920	106.8	8.0	13.4
1930	123.4	20.4	6.0
1940	133.3	25.8	5.2
1950	153.6	37.6	4.1
1960	182.2	57.6	3.2
1970	206.0	82.9	2.5
1975	214.3	100.3	2.1
1980	228.8	114.9	2.0
1985	237.5	122.5	1.9
1990	248.6	133.7	1.9
1995	258.7	146.2	1.8
2000	267.2	159.4	1.7
2005	274.8	173.2	1.6

Source: U.S. Bureau of the Census and NADA Industry Analysis Division

Estimated Truck & Bus Scrappage

	Number of Trucks & Buses Scrapped During Year	Scrappage as % of Trucks & Buses in Operation at Beginning of Year	Scrappage as % of New Truck & Bus Registrations
1976	1,750,729	7.0%	56.0%
1977	1,940,385	7.3%	54.1%
1978	1,880,591	6.7%	46.4%
1979	2,235,265	7.4%	63.0%
1980	1,404,547	4.4%	55.5%
1981	1,666,916	5.1%	74.6%
1982	1,720,624	5.2%	69.3%
1983	2,549,718	7.5%	83.8%
1984	3,432,962	9.9%	84.8%
1985	3,084,191	8.8%	66.0%
Average '76-'85	2,166,593	6.9%	65.4%

Source: NADA Industry Analysis Division

Total Registrations

Total U.S. Motor Vehicle Registration in 1985

	Autos	Trucks & Buses	Total Vehicles*		Autos	Trucks & Buses	Total Vehicles*
Alabama	2,274,000	961,000	3,235,000	Montana	396,000	281,000	677,000
Alaska	236,000	146,000	382,000	Nebraska	833,000	430,000	1,263,000
Arizona	1,500,000	619,000	2,119,000	Nevada	540,000	215,000	755,000
Arkansas	991,000	529,000	1,520,000	New Hampshire	773,000	132,000	905,000
California	14,274,000	4,010,000	18,284,000	New Jersey	4,412,000	495,000	4,907,000
Colorado	2,078,000	773,000	2,851,000	New Mexico	760,000	457,000	1,217,000
Connecticut	2,263,000	159,000	2,422,000	New York	7,774,000	1,158,000	8,932,000
Delaware	379,000	99,000	478,000	North Carolina	3,190,000	1,227,000	4,417,000
D.C.	214,000	19,000	233,000	North Dakota	434,000	278,000	712,000
Florida	7,886,000	1,975,000	9,861,000	Ohio	6,621,000	1,396,000	8,017,000
Georgia	2,979,000	1,627,000	4,606,000	Oklahoma	1,744,000	1,025,000	2,769,000
Hawaii	578,000	84,000	662,000	Oregon	1,599,000	629,000	2,228,000
Idaho	562,000	409,000	971,000	Pennsylvania	5,867,000	1,293,000	7,160,000
Illinois	6,211,000	1,558,000	7,769,000	Rhode Island	554,000	88,000	642,000
Indiana	3,014,000	1,032,000	4,046,000	South Carolina	1,644,000	506,000	2,150,000
Iowa	1,743,000	705,000	2,448,000	South Dakota	411,000	240,000	651,000
Kansas	1,476,000	681,000	2,157,000	Tennessee	2,864,000	748,000	3,612,000
Kentucky	1,769,000	822,000	2,591,000	Texas	8,681,000	3,961,000	12,642,000
Louisiana	2,074,000	941,000	3,015,000	Utah	759,000	344,000	1,103,000
Maine	604,000	222,000	826,000	Vermont	293,000	94,000	387,000
Maryland	2,769,000	553,000	3,322,000	Virginia	3,571,000	627,000	4,198,000
Massachusetts	3,332,000	470,000	3,802,000	Washington	2,517,000	1,059,000	3,576,000
Michigan	5,279,000	1,382,000	6,661,000	West Virginia	1,022,000	429,000	1,451,000
Minnesota	2,274,000	696,000	2,970,000	Wisconsin	2,382,000	739,000	3,121,000
Mississippi	1,047,000	396,000	1,443,000	Wyoming	291,000	205,000	496,000
Missouri	2,626,000	949,000	3,575,000	**TOTAL U.S.**	**130,364,000**	**39,873,000**	**170,237,000**

*Total Vehicle Excludes Motorcycles (5,472,000)
Source: U.S. Department of Transportation, Federal Highway Administration

Total U.S. Motor Vehicle Registrations

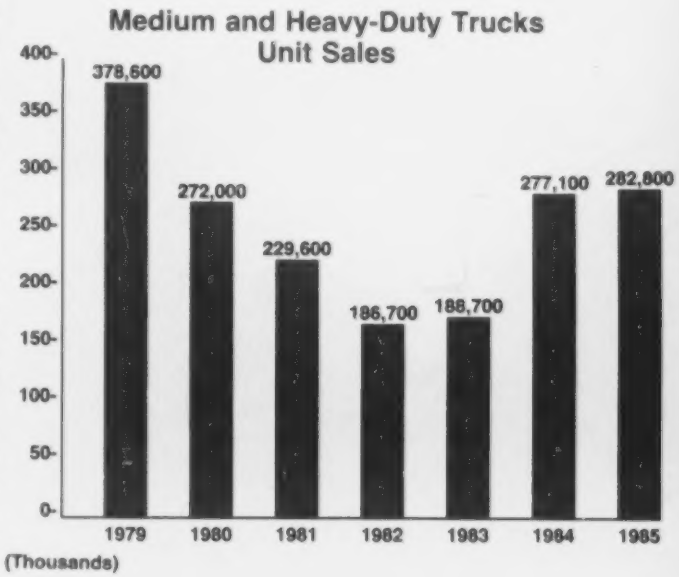
	Automobiles	Trucks & Buses	Total Vehicles
1975	106,713,000	26,238,000	132,951,000
1976	110,189,000	28,257,000	138,446,000
1977	112,288,000	30,093,000	142,381,000
1978	116,575,000	32,203,000	148,778,000
1979	120,258,000	33,870,000	154,118,000
1980	121,724,000	34,166,000	155,890,000
1981	123,462,000	34,995,000	158,457,000
1982	123,698,000	35,812,000	159,510,000
1983	126,728,000	37,133,000	163,861,000
1984	127,867,000	38,631,000	166,498,000
1985	130,364,000	39,873,000	170,237,000

The Franchised New Truck Dealer

The importance of the trucking industry to the national economy is being increasingly recognized. Thousands of jobs and billions of dollars are directly generated by the manufacture, sale, and service of medium and heavy duty trucks. Medium and heavy truck franchise holders are represented in Washington and in dealings with their manufacturers by the American Truck Dealers (ATD) Division of NADA. In 1985, ATD membership increased 5% to a total of 1,830 dealers.

The solid profits that franchised truck dealers made in 1984 did not continue into 1985. Although new unit sales rose slightly, total dealership profits plummeted. Estimates are that the average truck dealer in 1985 had a net profit before tax of less than two percent of total sales. Total return on assets fell below seven percent. Approximately half of all franchised truck dealerships surveyed were losing money in their combined new and used sales operations.

Over capacity in the truck manufacturing sector was a primary cause of the poor financial performance of dealerships. The manufacturers' resulting fight for market share led to price concessions, subsidized sales, and a deterioration in dealer margins.



New Truck Sales

Trucks are classified by gross vehicle weight into eight categories as listed below.

1	0-6,000 lbs.
2	6,001-10,000 lbs.
3	10,001-14,000 lbs.
4	14,001-16,000 lbs.
5	16,001-19,500 lbs.
6	19,501-26,000 lbs.
7	26,001-33,000 lbs.
8	33,001 lbs. and over

New Truck Sales By Gross Vehicle Weight

	1985	1984	% Change 1984-1985
Class 1	2,408,451	2,031,003	18.6%
Class 2	1,280,215	1,224,238	4.6%
Class 3	10,854	6,019	80.3%
Total Light Duty	3,699,520	3,261,260	13.4%
Class 4	0	4	– 100.0%
Class 5	5,081	5,417	– 6.2%
Class 6	48,358	55,482	– 12.8%
Class 7	97,007	78,479	23.6%
Class 8	132,307	137,693	– 3.9%
Total Medium & Heavy	282,753	277,075	2.0%
Total Domestics	3,982,273	3,538,335	12.5%
Non-Captive Imports	695,539	554,864	25.4%
Grand Total	**4,677,812**	**4,093,199**	14.3%

Source: Ward's Automotive Reports

Truck Inventories

1985 Domestic New Truck Inventories

	Light-Duty		Medium/ Heavy-Duty		Total Trucks	
	Number	Days' Supply	Number	Days' Supply	Number	Days' Supply
January	751,886	68	61,489	70	813,375	68
February	754,798	60	66,732	83	821,530	62
March	745,213	57	63,199	65	808,412	58
April	757,336	64	62,907	63	820,243	64
May	760,294	61	65,313	66	825,607	62
June	763,251	58	67,719	70	830,970	59
July	660,602	52	64,441	70	725,043	53
August	695,684	70	65,425	81	761,109	71
September	716,579	55	65,861	67	782,440	55
October	773,626	69	62,722	66	836,348	69
November	807,787	70	63,709	81	871,496	71
December	770,615	65	57,867	57	828,482	64
1985 Average	**746,473**	**62**	**63,949**	**70**	**810,422**	**63**
1984 Average	**649,434**	**63**	**54,868**	**61**	**704,302**	**62**

Source: Ward's Automotive Reports
Days' supply is calculated by dividing inventories by the daily selling rate.

Truck Dealership Profile

Total Sales and Profit of Medium and Heavy Duty Truck Dealerships (Millions of Dollars)

	1985	1984	% Change 1984-1985
Total Dollar Sales	$22,332	$21,615	3.3%
New Vehicle Dept.	$13,411	$12,703	5.6%
Used Vehicle Dept.	$2,747	$2,922	−6.0%
Service & Parts Dept.	$6,174	$5,990	3.1%
Total Gross Profit	$3,461	$3,394	2.0%
Total Expense	$3,059	$2,896	5.6%
Net Profit Before Tax	$402	$497	−19.1%

Source: NADA Industry Analysis Division

The total dollar sales of all medium and heavy duty truck dealerships reached a record $22.3 billion in 1985. Modest dollar sales increases were posted by the new vehicle and service and parts departments, while used vehicle sales showed a 6% decline in dollar sales. A deteriorating gross profit margin coupled with rising expenses led to a near 20% decline in total dealership profits.

Note: The figures to the left are estimates based on a relatively small sample of dealers and, therefore, are possibly subject to a large sampling error.

American Truck Dealers Division
Membership by Listed Franchises
(As of April, 1986)

International	408
Ford	396
GMC	339
Chevrolet	325
White	135
Freightliner	130
Mercedes	128
Mack	124
IVECO/Magirus	94
Volvo	90
Isuzu	79
Peterbilt	71
Kenworth	68
Dodge	58
Western Star	45
All Others	106
Total*	**2,596**

*Total exceeds ATD membership due to multiple franchise outlets.

American Truck Dealers Division
Membership By State
(As of April, 1986)

Alabama	27
Alaska	2
Arizona	17
Arkansas	27
N. California	37
S. California	50
Colorado	21
Connecticut	29
Delaware	8
District of Columbia	1
Florida	60
Georgia	34
Hawaii	3
Idaho	15
Illinois	48
Chicago Area	16
Indiana	59
Iowa	31
Kansas	26
Kentucky	34
Louisiana	35
Maine	23
Maryland	41
Massachusetts	36
Michigan	45
Detroit Area	13
Minnesota	48
Mississippi	18
Missouri	46
Montana	12
Nebraska	20
Nevada	9
New Hampshire	18
New Jersey	54
New Mexico	15
New York	75
New York City Area	21
North Carolina	58
North Dakota	18
Ohio	89
Cleveland Area	4
Oklahoma	30
Oregon	23
E. Pennsylvania	73
W. Pennsylvania	55
Rhode Island	8
South Carolina	19
South Dakota	15
Tennessee	33
N. Texas	63
S. Texas	68
Utah	9
Vermont	10
Virginia	57
Washington	17
W. Virginia	24
Wisconsin	69
Wyoming	6
Canada	1
Puerto Rico	1
American Samoa	2
St. Thomas, VI	1
Total	**1,827**

Source: NADA American Truck Dealers Division

1986 Officers of the National Automobile Dealers Association

James B. Woulfe
President

Marvin O. Hartwig
Treasurer

James T. Caplinger
First Vice President

William J. Symes
Immediate Past President

David A. Banks
Secretary

Frank E. McCarthy
Executive Vice President

1985 Industry Highlights

*Number of franchised new car dealerships (year end)	25,100
*Total dollar sales	
all dealerships	$260.2 billion
average dealership	$10,476,167
*Number of new cars sold	
all dealerships	11,038,423
average dealership	444
*Total employment	
all dealerships	835,000
average dealership	34
*Total annual payroll	
all dealerships	$17.9 billion
average dealership	$720,000
*Total local advertising expenditures	
all dealerships	$2.9 billion
average dealership	$117,333
*Number of vehicles in operation (year end)	159,334,000
*Number of medium- and heavy-duty trucks sold	282,753

FACTS: National Automobile Dealers Association

- The National Automobile Dealers Association (NADA) is the national representative and member organization for 20,000 franchised domestic and import new car and truck dealers. NADA provides representation for its membership in Congress and federal regulatory agencies, with international and domestic automobile manufacturers and importers, and with the general public.

- As the largest retail consulting organization in the automotive industry, NADA has specialized programs which include 20 Groups, focusing on the financial operations of a dealerships; Sales Trak, a comprehensive sales management system; and Service Systems, analyzing customer satisfaction and dealer profitability. In addition, the Dealer Candidate Academy prepares future dealers with classroom training and internships and NADA Management Guides provide insight into the techniques and systems used by successful dealers.

- NADA provides a wide variety of services for its members including counsel on industry relations, legal representation, group insurance plans, profit-sharing and pension programs, estate and tax planning services, and AUTOCAP, a consumer action program alleviating dealer-consumer disputes.

- The American Truck Dealers (ATD) division of NADA represents medium and heavy duty truck dealers who share in all NADA programs, services, and benefits.

- Since the Association's founding in 1917, the NADA annual convention and exposition has provided a yearly forum for analysis of key issues and recent developments within the automotive industry and an extensive exhibition of the latest products and services.

- NADA produces a variety of publications for its members, including *Automotive Executive*, a full-color monthly magazine; the *NADA Newsletter*, reporting industry news and developments in legislative issues; the *ATD Newsletter*, focusing on events related to medium and heavy duty truck dealers; the *NADA Official Used Car Guide*, listing used vehicle values across the country; and the *Dealers Auto Auction Report*, a bi-weekly summary of wholesale market activity.

- Through its Automotive Trade Association Executive (ATAE) Division, NADA works closely with state and local dealer associations in the United States, Canada, and Mexico.

- NADA's commitment to public service includes a recognition program of outstanding community leaders and the National Automobile Dealers Charitable Foundation, using voluntary contributions from dealers to support worthy causes. In addition, NADA has played a strong role in the effort to improve highway safety by conducting information campaigns; coordinating national efforts, and supporting local programs focusing on safety belt education and drunk driving.

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